

the

# light report

August 2003

Volume 7; Number 8

## Superintendent's Summary

On the night of August 5, Mother Nature treated our line crews to a sneak preview of the fall storm season. It was the first rain in many weeks, and was accompanied by wind, thunder and lightning.

Extended hot, dry weather is always hard on our distribution infrastructure. Hot days alternating with cool evenings cause repeated expansion and contraction of critical equipment. Insulators develop hairline cracks, wire splices weaken, materials fatigue. While hot weather alone can trigger equipment failure, some of its effects will go unnoticed as long as the weather remains dry. Cracked pole insulators are a prime example. As long as it's dry, the insulator continues to do its job. But let the crack fill with moisture, and the electricity has an easy path to short-circuit to the pole.

On the evening of August 5, Seattle got its first moisture in weeks. By 9 p.m. we had reports of pole fires in West Seattle, Wallingford and Ballard. The early hours of August 6 brought wind and lightning, resulting in at least seven pole-top transformer lightning strikes in Shoreline. Despite these difficulties, only an estimated 100 City Light customers experienced a power outage.



Jim Ritch, Acting Superintendent

## Ross Refilled – Surplus Energy Sales Strong

In spite of a dry year, City Light has managed to refill Ross Reservoir and keep revenue from surplus energy sales on track with projections.

This has been a dry summer in Western Washington. As of July 31, precipitation in the Skagit watershed was 76 percent of normal for the current water year. July 31 also happens to be the date set by City Light to bring Ross Reservoir to full pool. Filling Ross by the end of July is crucial for protecting fish in the Skagit River, meeting recreational obligations on Ross Lake and being positioned to provide energy for the next winter heating season.

Full pool at Ross is 1,602.5 feet (measured as the elevation of the lake surface above sea level). On July 31, Ross measured 1,602.41 feet.

So City Light is in pretty good shape at the Skagit Project, in spite of well-below-normal precipitation. Credit Mike Si-nowitz and his power management group for responding to dryness early in the water year. They backed off generation at the Skagit to save water for later. Through the winter and spring and into this summer, we generated enough power to meet load, but did not put as much surplus energy into the market as we could have.

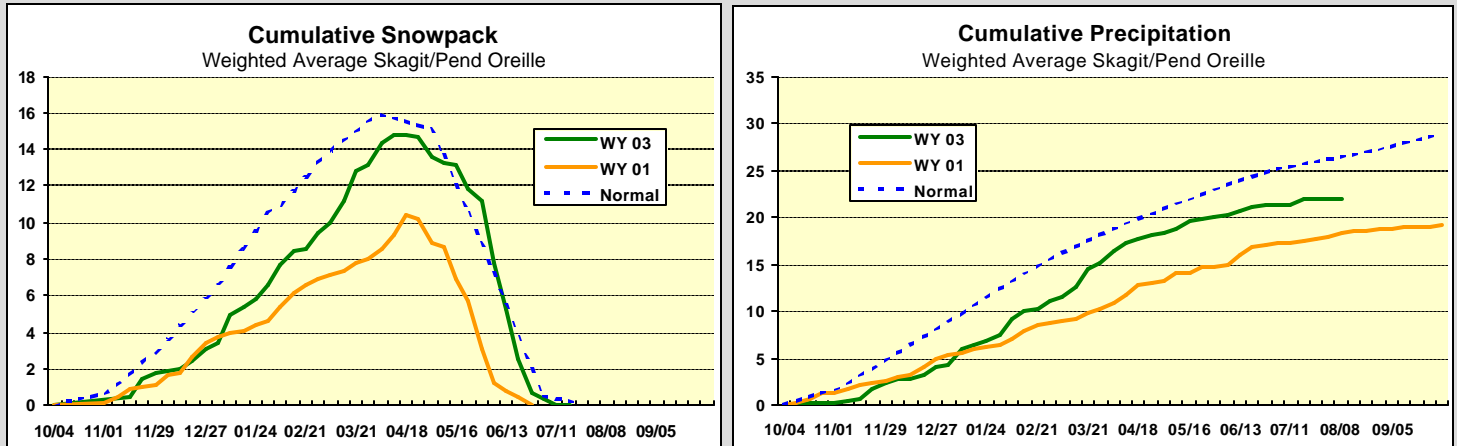
Nevertheless, surplus sales revenue is in line with projections made at the beginning of the year. City Light expects to earn

(continued on page 4)



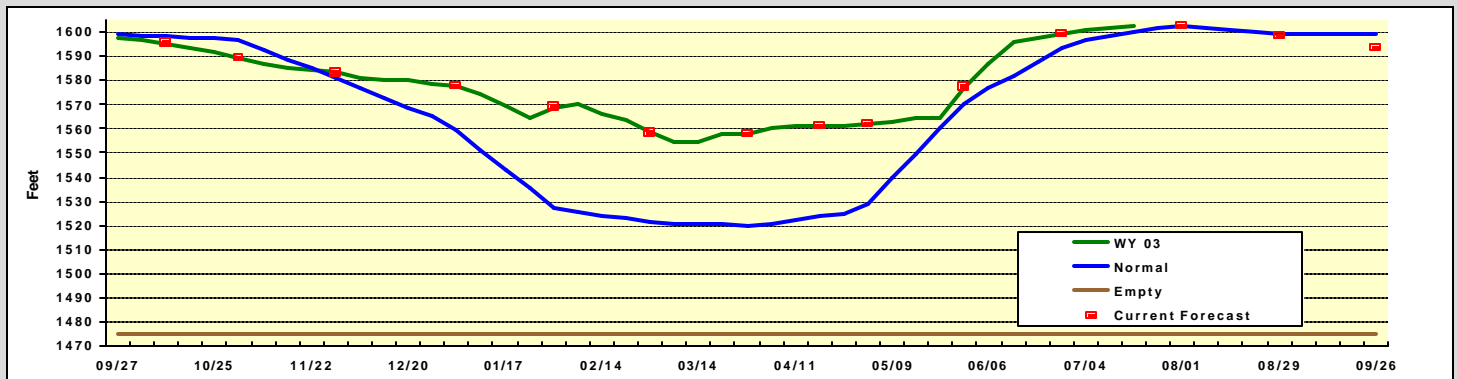
Hozomeen, the largest camping/recreational facility on Ross Lake, straddles the U.S.-Canadian border. To keep the boat launches and dock facilities (center) available, City Light's Skagit license requires that Ross Lake be maintained within a few feet

## - Water Resources as of July 30, 2003 - Snowpack and Precipitation



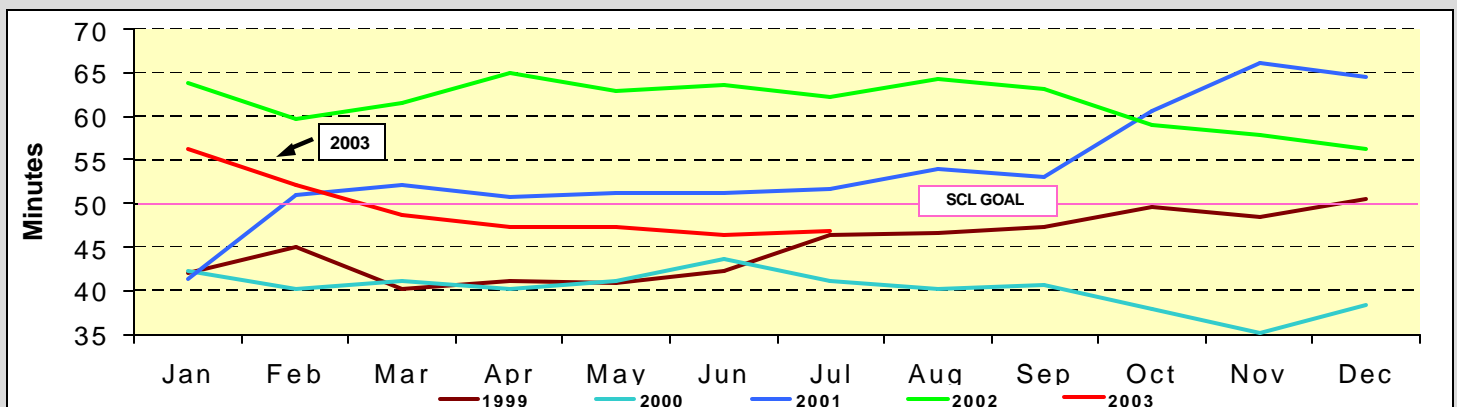
The weighted average of the Cumulative Precipitation of both watersheds for the period between October 1, 2002 and August 1, 2003 of the current Water Year 2003 (WY 03) has reached 21.96 in. or 80% of normal which compares to 18.4 in. or 70% of normal for the same time in Water Year 2001 (WY 01). The Cumulative Snowpack of both watersheds had reached a season high of 14.8 in. for this Water Year versus 10.4 in. in the 2001 Water Year.

### Ross Reservoir Levels



We have achieved refill in Ross (1602 feet). Our strategy to maintain higher levels this summer as insurance against the drought is paying off. In August we will begin to draft Ross to meet our native loads, contracts and license targets. In order to meet recreational needs (keep boat docks and campground accessible), we will not draft below 1598 feet prior to Labor Day.

## - System Reliability - Average Customer Outage Minutes, January 1999 – July 2003



The System Average Interruption Duration Index (SAIDI) increased by half a minute to 46.9 for July while continuing to meet the goal of 50 or lower. The largest outage of the month was on the overhead system in Burien. The number of customers affected was greater due to a previous underground outage. Power was restored to 97% of the customers within 2 hours.

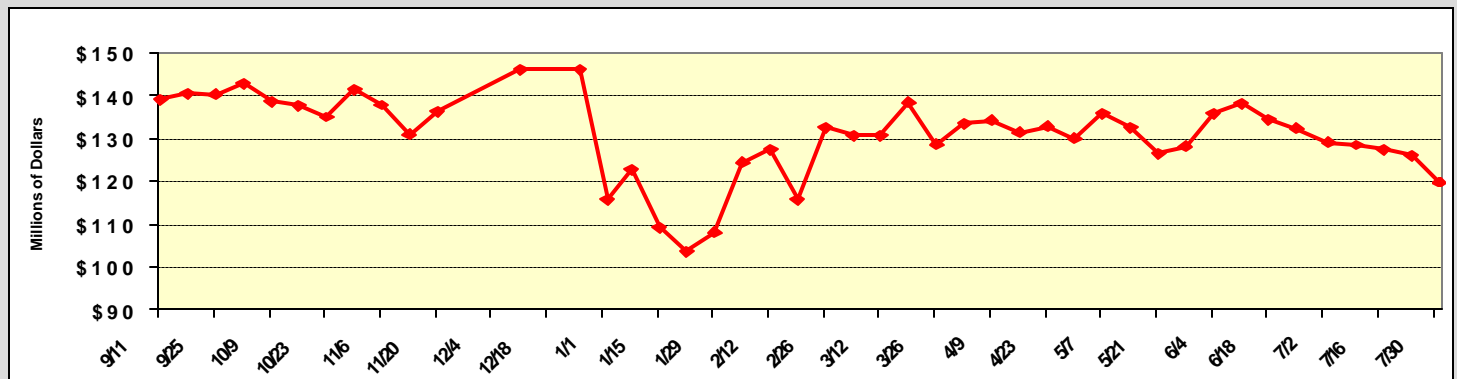
## - Markets and Power Management -

### Forward Power Prices, Current vs. Operating Plan

	High Load Hours			Low Load Hours		
	Operating Plan	Current	Change	Operating Plan	Current	Change
Jan 03	\$40	\$40	\$0	\$32	\$32	\$0
Feb 03	\$35	\$74	+\$39	\$30	\$70	+\$40
Mar 03	\$34	\$24	-\$10	\$28	\$21	-\$7
Apr 03	\$34	\$32	-\$2	\$24	\$30	+\$6
May 03	\$26	\$32	+\$6	\$16	\$22	+\$6
Jun 03	\$24	\$41	+\$17	\$16	\$33	+\$17
Jul 03	\$37	\$49	+\$12	\$25	\$39	+\$14
Aug 03	\$46	\$46	\$0	\$31	\$37	+\$6
Sep 03	\$39	\$44	+\$5	\$27	\$37	+\$10
Oct 03	\$42	\$44	+\$2	\$31	\$37	+\$6
Nov 03	\$40	\$42	+\$2	\$30	\$38	+\$8
Dec 03	\$44	\$48	+\$4	\$35	\$43	+\$8

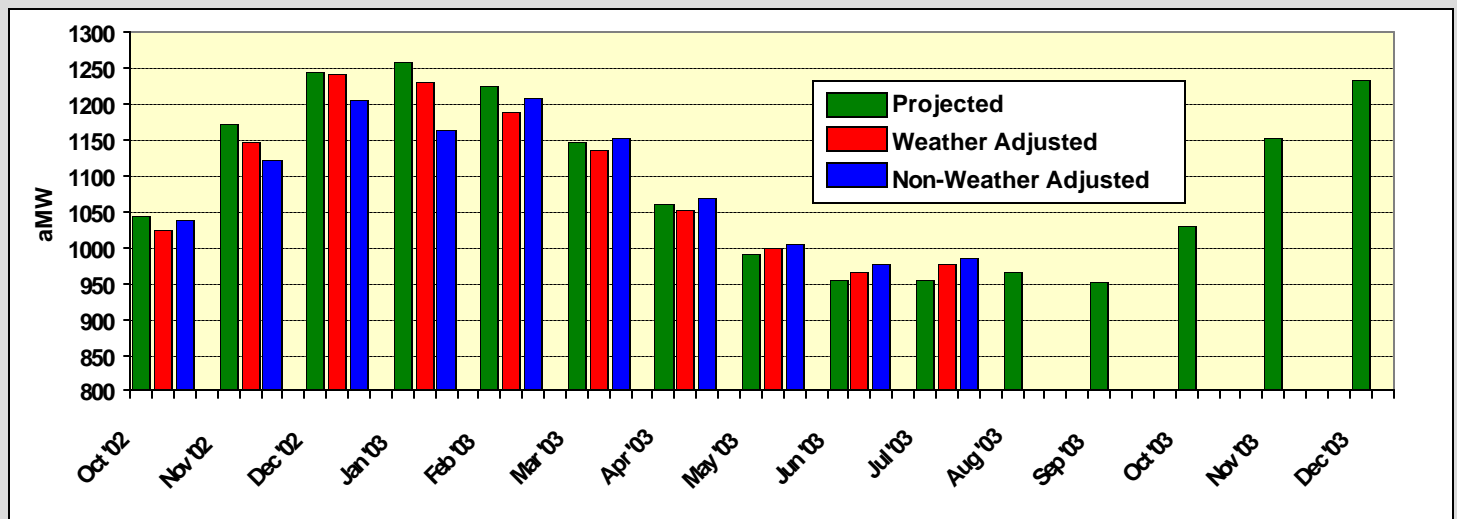
This table compares the forward prices for energy as of July 3, 2003 with the forward prices assumed in the October 2002 operating plan.

### Market Value of 2003 Position



Although City Light sold a large part of its projected surplus forward at known, fixed prices, because of the unpredictability of its hydro production it must keep a sizeable portion in reserve. This amount is vulnerable to price fluctuations.

### Load History and Projections



Unseasonably hot weather resulted in unexpectedly high demand in July. Both June and July weather-adjusted loads were above forecast - it is too early yet to say, but this may signal the beginning of an economic recovery.

\$115-\$120 million from surplus sales in 2003. (See the chart on page 2 for more detail.)

While the dry year reduced the amount of power we could sell, it also contributed to higher market prices for energy, thus helping us keep non-firm revenues on track. Because of the hotter, drier weather in our part of the world, and cooler, wetter weather in California, much of the surplus energy we have sold this summer has stayed right here in the region.

During the month of August, City Light will draw Ross Reservoir down no more than four feet, allowing all recreational activities on the lake to continue through the vacation season. The limited generation will not prevent City Light from meeting all load and contract obligations. We will be able to ramp up our use of Ross after Labor Day, but we'll still keep a watchful eye on the seasonal weather forecasts. We know we can manage the Skagit wisely, but we'd prefer to see it rain like it's supposed to in the Northwest.

Typically, August and September are dry. The next significant month for rainfall at the Skagit watershed is October, the first month of the water year. In a normal year, the Skagit gets about nine inches of rain in October and about 13 inches in November. We should know by the end of December whether our dry pattern is continuing or we are returning to a more normal water year.

### Bits and Pieces: News and Notes from City Light and the Utility Industry

- On July 15 the energy trading company Mirant declared bankruptcy. City Light is owed slightly more than \$1 million. City Light has a letter of credit for about half that amount. We have executed on the letter, and have received \$0.5 million to date.
- FERC Investigation: City Light is not included on the list of energy sellers against which FERC is conducting show-cause proceedings on the grounds that they "gamed" the system or that they were in partnership with Enron resulting in other bad acts.
- In addition to Mirant, PG&E Energy Trading also filed for Chapter 11 bankruptcy protection this month. The City Legal Department is working with bankruptcy lawyers to determine whether payment for June energy transactions and any forward contracts will be made, and when.
- Transmission Curtailment Issues with BPA: Seattle City Light, Snohomish PUD and Puget Sound Energy have collaborated on a list of alternatives to transmission curtailment when sending energy to Canada through the North Puget

Sound regions. A key point will be that any cost related to the return of this energy must be borne by all BPA customers, not just the North Puget Sound utilities.

- E-Payments Project: City Light is participating in a city-wide project lead by the Department of Executive Administration. The group is identifying requirements for Web-based credit card payments.
- PCB Annual Report: This report was completed in June. It includes data on the various aspects of PCB management, including disposal of all types of PCB wastes, PCB equipment in-service and in storage for disposal or reuse, inspection records for in-service PCB transformers and various storage areas. The report shows that we are making steady progress and are on track to eliminate PCB's from our system.
- Bonds Sold: City of Seattle, Washington, Municipal Light and Power Improvement and Refunding Revenue Bonds, 2003, in the amount of \$251,850,000 were sold on July 29. Lehman Brothers, Inc. submitted the winning bid with an effective interest rate of 4.4%. The bonds will be dated August 20, 2003. Both Moody's and Standard and Poors reaffirmed City Light's bond ratings prior to the sale. The bonds are issued with insurance.
- Energy Bill: The Republican-controlled Senate turned down an amendment to the national energy bill offered July 30 by Sen. Maria Cantwell. The Washington lawmaker's addition was designed to outlaw the type of manipulations by energy companies that led to the West Coast energy crisis two years ago.
- On July 31, the Senate went back to the bill passed last year and passed it again. The surprise action moved Congress a significant step closer to final agreement on a White House priority — the first overhaul of the nation's energy policy in a decade. President Bush has pressed Congress to send him a bill, calling it vital to economic growth and national security. The Senate vote cleared the way for negotiations on a compromise measure with the House, which passed its version of an energy bill in April.
- BPA to build \$37M power line: BPA Administrator Steve Wright signed a decision on July 25, to build the 9-mile line next to an existing transmission line. The \$37-million project requires 47 new towers with an average height of 135 feet. Construction is to begin immediately and be finished by year's end.

## UPCOMING COUNCIL AGENDA ITEMS

*Aug. 7: Energy and Environmental Policy Committee:*

- Duwamish River Cleanup Report (Nancy Glaser)
- City Light Surplus Property Report (Carol Everson, Cheryl Crawford)
- Two ordinances authorizing acceptance of distribution easements (Carol DeLeon)

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